

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 7, 2011
POSITION: Neutral

BILL NUMBER: SB 6
AUTHOR: R. Calderon

BILL SUMMARY: Real Estate: Appraisal and Valuation

Recently enacted federal law, the Dodd-Frank Act (Dodd-Frank), implements changes that, among other things, affect the oversight and supervision of financial institutions, provide for a new resolution procedure for large financial companies, create a new agency responsible for implementing and enforcing compliance with consumer financial laws, introduce more stringent regulatory capital requirements, effect significant changes in the regulation of over the counter derivatives, reform the regulation of credit rating agencies, implement changes to corporate governance and executive compensation practices, incorporate the Volcker Rule which limits bank participation in certain investment vehicles, require registration of advisers to certain private funds, and effect significant changes in the securitization market.

The Federal Reserve Board, as the agency charged with implementing most of the Dodd-Frank financial sector reforms, has recently promulgated regulations to place those reforms in effect.

This bill would update state law to conform to the provisions of Dodd-Frank that affect the mortgage banking industry. Specifically, this bill would:

- Provide that a real estate licensee shall not knowingly or intentionally misrepresent the value of real property.
- Prohibit a real estate licensee that offers or provides an opinion of value of real property that is used as the basis for an origination of a mortgage loan from having an interest in that property.
- Require that no person or entity acting in the capacity of an appraisal management company shall improperly influence or attempt to improperly influence the development, reporting, result, or review of any appraisal through coercion, extortion, inducement, collusion, bribery, intimidation, or compensation.
- Provide that no person or entity preparing an appraisal or performing appraisal management functions in connection with the origination, modification, or refinancing of a mortgage loan shall have a direct or indirect interest, financial or otherwise, in the property or the transaction for which the appraisal or appraisal management functions are performed.
- Define "Valuation" to mean an estimate of the value of real property in written or electronic form, other than one produced solely by an automated valuation model or system. This definition would include both appraisals and broker price opinions (BPOs).

FISCAL SUMMARY

This bill would have no state General Fund impact.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

R. Calderon

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COMMENTS

Finance notes the following with regard to this bill:

- This bill could protect real estate brokers that perform BPOs from inappropriate influence, by covering them under the same rules that are currently intended to protect appraisers from inappropriate influence.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0001/Major Rev	SO	No	-----	No/Minor	Fiscal Impact	-----			0001
2310/Real Es Appr	SO	No	-----	No/Minor	Fiscal Impact	-----			0400
2320/Real Estate	SO	No	-----	No/Minor	Fiscal Impact	-----			0317

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0317	Real Estate Fund
0400	Real Estate Appraisers Regulation Fund